

ARTRS

Arkansas Teacher Retirement System

REVIEW

1400 West Third - Little Rock, AR 72201 - Telephone (501) 682-1517
(Outside Pulaski County) 1-800-666-2877

ARTRS

Arkansas Teacher Retirement System

REVIEW

IN THIS ISSUE

Woodland Heights	1
Letter from the CEO	2&3
Don't Drop the Ball	3
2008/2009 Workshops.....	3
Compound Cola.....	4
2008 Benefits Payment Schedule.....	4
What's New at ATRS	4
Board Member Resigns.....	5
Board of Trustees Election ..	5
ATRS Board Information.....	6
2008 Meeting Schedule.....	6

WOODLAND HEIGHTS



Woodland Heights - the upscale senior residential community owned by the Arkansas Teacher Retirement System – recently celebrated the grand opening of its new 122,830-SF expansion wing.

The expansion adds an additional 83 units to the already 62 units at the community located in the heart of the capital city off I-630. Woodland Heights now offers 145 units with a variety of floor plans from which residents may choose.

“This new expansion allows us to reach out to even more seniors in the area,” said Paul Doane, Chief Executive Officer of ATRS. “Along with the expansion, we’ve renovated some of the common areas, providing our residents with amenities that make living at Woodland Heights truly ideal. This is an important community for retired Arkansas residents and another indication of the Teacher Retirement System’s investment in the people and economy of our state.”

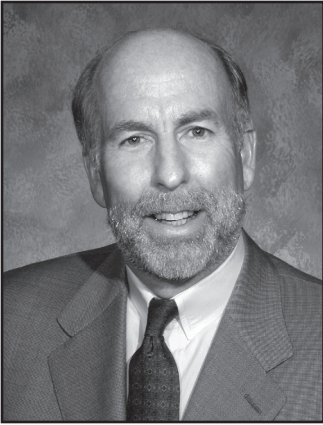
The new units feature four floor plans ranging in size from 860-1,149 square feet and provide the same modern amenities current residents already enjoy. As part of the construction project, updates have been made to several areas. The community touts an indoor swimming pool, billiard hall, library and barber shop/beauty salon.

Residents are provided weekly maid and linen service, gourmet dining, 24-hour security, daily on-site activities and more.

A full-time activities director ensures residents stay physically fit, mentally alert and feeling healthy through a variety of daily activities and fun social outings. Executive Chef Coby Smith treats residents to delicious, gourmet meals with a birds-eye view of Downtown Little Rock in Woodland Heights’ elegant and remodeled Greenleaf Dining Room.

The Arkansas Teacher Retirement System formed a strategic alliance with several firms to build the new addition to Woodland Heights. The new wing was designed by Wittenberg, Delony & Davidson and constructed by Baldwin & Shell Construction. FR Management, led by Rodney Thomason, was named the building’s manager in July of last year.

Interested seniors and their families are encouraged to take a tour of the new expansion wing and Woodland Heights’ many luxury amenities. Call (501) 224-4242 or visit www.woodlandheightsllc.com.



LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Members,

Well, no doubt you've read the newspaper accounts about how the various public retirement systems are struggling in light of stock market losses. Clearly, the job of newspapers is to sell newspapers by creating interest and excitement and I respect that role. At the same time, however, I take issue with the somewhat misplaced "hype." In reality, the ATRS portfolio performed well relative to most other institutional investors this past fiscal year. That should be the story! Furthermore, the System's past solid performance years, allowed it to "bank" profits that will help to dampen the impact from the small loss experienced this past year. In fact, I wouldn't rule out that our funded ratio (the percentage of future liabilities covered by existing assets) could actually improve over last year even with this difficult performance stretch.

This past fiscal year, the ATRS portfolio performance was a negative 3.6%, after five years of positive returns. While any loss is never a pleasant experience, the extent of the loss was contained, when you consider that domestic and global equity markets lost well over 10% for the year. Actually, the System performed within the top third of funds with the average for public retirement system losing over 4% for the twelve-month period ended June 30.

We clearly are not through the nation's financial mess. But, these difficult investment periods demonstrate one of the beauties of Defined Benefit Plans, such as ATRS. Namely, as beneficiaries, your paycheck is unaffected by market action. If you were managing your own retirement portfolio, such as a 401(K) or other defined contribution type plan, the circumstances could be dramatically different. First, I doubt that very few of us who manage our own portfolios lost only 3% of the value over the past twelve months. Secondly, if we were dependent on a 401(K) type plan for retirement, we would likely be facing a reduction in income due to principal devaluation. Fortunately, these are NOT issues that you have to deal with as a member of ATRS. The level of benefit is never reduced (in fact, it is enhanced by a 3% COLA each year) and you don't have the worry about how to invest your retirement assets. ATRS does all the heavy lifting for you.

Speaking of monthly retirement benefits, I am pleased to report that as a result of the combined efforts of our Benefits and Counseling, Preretirement and Payroll Accounting teams, we were able to efficiently process all new retirees and T-DROP members' applications and issue all payroll and lump sum distributions by the due date, July 31. This marks the first time the System has accomplished the task in such timely fashion. Given that over \$50 million in lump sum T-DROP distributions and more than 1,200 new retirees were added since the end of the June, it was a significant achievement.

I would like to return briefly to the investment picture. When I arrived at ATRS slightly over a year ago, one of my investment objectives, after assessing the situation, was to prevail on the Board to modify its portfolio holdings and become less reliant on the U.S. stock market. In turn, there would be an increased focus on global investments and private market opportunities. The Board has supported this strategy. Implementing the changes, unfortunately, takes time. It will be another year before the portfolio is fully realigned to the new investment targets. Nevertheless, the results of these implemented changes have proven positive and helped to cushion the portfolio from the losses experienced in the broader stock markets. In the end, the portfolio is expected to have about 1/3 of the portfolio in domestic equities (stocks) and fixed income (bonds), 1/3 in global equities and fixed income strategies, and 1/3 in private or alternative markets such as real estate, infrastructure, hedge funds, private equity and private debt.

On the policy front, the Board, in addition to approving a "step up" in members' base amounts upon which the COLA is figured, has also been very active in preparing for the upcoming January Legislative session. The changes, for the most part, are aimed at developing alternatives to several policies that have become overly complex and confusing in their application. One of these would grandfather the death benefit feature for those members who retired with between five and ten years of credited service and who were excluded from the bill

passed last session. The Board has also endorsed a legislative initiative that would modify the “return to work” policy. The proposal would do away with the earnings limitation and the need for “waivers” while increasing the waiting period from 30 to 180 days, for those folks that decided to return to work after retirement. To avoid incurring added costs to the System, an employer hiring a retiree would be subject to the 14% employer only contribution. Other initiatives would simplify both the handling of survivor benefits and the crediting for past non-ATRS service credit. The Board is also looking at developing a possible alternative to T-DROP that would offer a simplified and more flexible structure than the present plan. This proposal would provide an option to the present program for future retirees.

In summation, we are constantly searching for ways to improve our System. The number of retirees are expected to double to over 50,000 by the middle of the next decade. As a result, we need to insure that we will be prepared for this shift in our member population. Our goal is to maintain an adequate and professionally trained staff, using efficient technology and employing forward thinking strategies to insure that the needs of all members are effectively and efficiently met. This means everything from insuring the adequacy of our disaster recovery plan to having a “live person” answer your phone calls. Please do not hesitate to advise where we can improve our responsiveness.

Regards,



Paul Doane, CEO

BENEFITS CORNER

“Don’t Drop the Ball!”

If you have 28 or more years of service credit, you are eligible to participate in the ATRS Teacher Deferred Retirement Option Plan (T-DROP). If you elect to participate in the T-DROP, all your future retirement benefits will accrue in your T-DROP account. This means you will not earn additional service credit or be able to count your wages earned during T-DROP participate in your final average salary used in your retirement formula.

Please note that an election to participate in T-DROP is irrevocable. Once you start accruing T-DROP benefits, you may not return to regular active status. ATRS strongly encourages members considering T-DROP to attend a workshop on the plan to see how it will affect your retirement benefits. A schedule of our 2008-2009 retirement and T-DROP workshops is located on our web site www.artrs.gov.

T-DROP participation begins July 1 of each year. All applications for T-DROP must be received by May 31 if you wish to participate the next fiscal year. If you fail to submit a completed application by May 31, you will have to wait until next year to participate. You may request a T-DROP benefit estimate and application form any time during the year.

2008-2009 RETIREMENT/T-DROP WORKSHOPS

You should plan to attend one of the workshops if you are planning to:

- Enter the Teacher Deferred Retirement Option Plan
- Retire July 1, 2009 (not in T-DROP)
- Retire July 1, 2009 (in T-DROP)

Subjects to be covered:

- Cost-of-Living Adjustment
- Death Benefits
- Distribution Options
- Estimate of Benefits
- Retirement Application
- Retirement Process
- Taxes
- T-Drop Application

Due to limited capacity, you must preregister. Registration forms for retirement workshops are available on our website at www.artrs.gov. Mail completed registration forms to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201. For more information call 1-800-666-2877 or e-mail the Preretirement Department at workshop@artrs.gov.

Workshop sessions will begin promptly at the following times:

Entering T-DROP 4:00 p.m. (Sign In 3:30-4:00 p.m.)

Retirement (not in T-DROP) 5:00 p.m. (Sign In 4:30-5:00 p.m.)

Retirement (in T-DROP) 6:00 p.m. (Sign In 5:30-6:00 p.m.)

COMPOUND COLA FOR ATRS RETIREES ON JULY 1, 2009

At its August 7, 2008, meeting, the ATRS Board of Trustees authorized the annual cost of living adjustment for retirees to be compounded for the fiscal year beginning July 1, 2009. The compound COLA will apply to all retired members who have received a monthly retirement benefit for the prior 12 month period ending June 30, 2009. This compound COLA is calculated by multiplying 3% times your June 30, 2009, retirement benefit.

A key feature of the Board action is that this will result in all retirees obtaining a “step-up” in the basis that is used to determine the annual COLA. Some members have not received such an adjustment since 2001. As a result, under this provision, your base amount will be reset to the same level as your new July 1, 2009, benefit amount. This means that future COLA raises will be based upon your new, updated base amount.

The Board of Trustees voted to implement this adjusted base/compound COLA for a one year period only. It is estimated to cost the system approximately \$150 million for this increase. As a result, it is important to insure that any future “compounding” remains affordable. The financial condition of the System will be evaluated on a year-by-year basis going forward to determine if a simple or compound COLA will be given in subsequent years.

Please note that in years when the COLA is compounded, it will be in lieu of the simple COLA being granted.

2008 BENEFITS PAYMENT SCHEDULE

Check Mailing Schedule

August 26, 2008
September 25, 2008
October 28, 2008
November 20, 2008
December 23, 2008

Direct Deposit Schedule

August 29, 2008
September 30, 2008
October 31, 2008
November 26, 2008
December 31, 2008

WHAT'S NEW AT ATRS

Now that renovations are complete, ATRS is back in full swing with everyone in their own space. Here are the locations for staff:

1st floor:

Benefits & Counseling
Membership Department
Preretirement Education
Human Resources

2nd floor:

Retiree Payroll Department
Employer Reporting Department
Fiscal Accounting
Scanning Department
Mail Room Services

3rd floor:

Administration
Investment Department
Legal Department
Internal Audit and Risk Management
Data Processing

During the renovations, the building security system was modified. The east end of the building is secured for employee access only. The west end of the building allows public access to the 1st floor from the garage or the front entrance on West 3rd Street (8:00 a.m. until 4:30 p.m., Monday through Friday). Members and visitors will be greeted by security on the 1st floor and will be directed to the proper department.

We hope once you have had a chance to visit our newly renovated facility, that you will drop us a note to let us know what you think. We are always open to suggestions for improvement.

APPOINTMENTS

ATRS has counselors available for visitors from 8:00 a.m. to 4:30 p.m. weekdays. While we do not require appointments, calling ahead to make an appointment can help make your visit more productive. Prior notification will allow the counselors adequate time to review your account. “After hours” appointments are available for the convenience of our members. However, any visits after 4:30 p.m. must be scheduled in advance in order to gain access into the building. Call our offices at 1-800-666-2877 or (501) 682-2175 inside Pulaski County to schedule an appointment.

TRUSTEE ELLEN TERRY RESIGNS FROM BOARD

At its most recent meeting, the Board was advised by Trustee Ellen Terry of her resignation for health related reasons. Ms. Terry has been an exceptional member of the Board representing the nonlicensed membership. She would have completed her initial six year term on the Board next June. Under Board policy, her position will stand vacant due the shortness of time until the next regularly scheduled election planned for early 2009.

Ms. Terry has been a member of the Fort Smith School District for 18 years serving in various administrative positions and currently is on medical leave from her position as the Assistant to the Superintendent for Finance. Prior to her work with Fort Smith, she was employed in public accounting in Fort Smith. Ellen was an energetic and very thoughtful member of the Board and very ably represented the Systems nonlicensed members for the past five plus years. She was never hesitant to speak to the many and varied issues with which the Board deals where her insights and experiences would be helpful. "I never expected to be voted Miss. Congeniality," she once offered, but her many contributions to the System were always gratefully acknowledged and appreciated by the Board.

From its creation by action of the State Legislature in 1937 until 1989, ATRS was comprised of only certified teachers and administrators. However, since 1989, nonlicensed employees of the State's various educational programs and districts became eligible. Today, the nonlicensed membership represents the largest constituency within ATRS, approximately 60% of all active members. Act 418 of the Legislative session in 1997 expanded the Board to include a dedicated position representing the nonlicensed membership.

Ms. Terry remains hopeful that after recuperating from her August surgery she can return to her position next spring. For the present, however, she felt it was not possible for her to physically continue her duties on the Board including her membership on the important Policies and Legislative Committee. She was elected to the Board in 2003 succeeding Mary Harris former Board member from the Genoa Central School District in Texarkana, the first of the Board's nonlicensed representatives.

UPCOMING BOARD OF TRUSTEES ELECTION NOTICE

In June 2009, the ATRS Board has three trustee positions whose terms are set to expire. The term of office for each trustee is six (6) years. To qualify for election to the ATRS Board, an individual must have at least five (5) years of actual service and meet all other eligibility requirements for the position.

The following Trustee terms expire next June 30, with elections to be held next April:

- 1) Administrator Member Trustee (Active) which requires an Administrator's License;
- 2) Nonlicensed Member Trustee (Active) which requires an active member employed in a position not requiring state licensure; and
- 3) Minority Trustee (Active or Retired) which requires a person of a minority racial or ethnic group that can be either an active or retired member of ATRS.

The deadline for nomination for these positions is **January 15** and elections are held in April. For more information regarding these vacancies and nomination forms, please visit the ATRS website this November at www.artts.gov, under the "What's New" tab.



ARTRS

Arkansas Teacher Retirement System

REVIEW

Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201-1833

Address Service Requested

**THE ATRS REVIEW IS PUBLISHED AND MAILED TO
ACTIVE AND RETIRED ATRS MEMBERS.**

Board of Trustees

Robin Nichols, Chairman
Hazel Coleman, Vice Chairman

Dr. Richard Abernathy

Monty Betts

Dr. Paul Fair

John Fortenberry

Beverly Leming

Bobby G. Lester

Linda Parsons

Janelle Riddle

Ellen Terry, resigned October 2008

Ex Officio Trustees

Commissioner Candace A. Franks
Commissioner. T. Kenneth James, PhD
The Honorable Martha Shoffner
The Honorable Jim Wood

Paul Doane, Chief Executive Officer
E-Mail: pauld@artsr.gov

Editor: Jane Toledo
E-Mail: janet@artsr.gov

Arkansas Teacher Retirement System

1400 West Third
Little Rock, AR 72201
Toll Free: 1-800-666-2877
Phone: (501) 682-2175
Fax: (501) 682-2359
info@artsr.gov
www.artsr.gov

BOARD OF TRUSTEES MEETING SCHEDULE

Monday, October 6, 2008 @ 1:00 p.m.

Monday, December 8, 2008 @ 1:00 p.m.

COMMITTEE MEETINGS

Executive Committee

Monday, September 22, 2008 @ 11:00 a.m.

Administrative/Personnel Committee

Monday, September 22, 2008 @ 1:30 p.m.

Investment Committee

Tuesday, September 23, 2008 @ 9:00 a.m.

Policies/Legislative Committee

Tuesday, September 23, 2008 @ 2:00 p.m.

Audit Committee

Wednesday, October 1, 2008 @ 1:00 p.m.

Investment Committee

Monday, October 6, 2008 @ 10:00 a.m.

Investment Committee

Tuesday, November 18, 2008 @ 9:00 a.m.

Legislative/Policies Committee

Tuesday, November 18, 2008 @ 1:30 p.m.

Investment Committee

Monday, December 8, 2008 @ 10:00 a.m.